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SUBJECT: KARBALA'S PROVINCIAL INVESTMENT COMMISSION
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Classified By: PRT Team Leader Don Cooke for reasons 1.4 (b,d).

This is a PRT Karbala Reporting Cable.

11. (C) Summary: Karbala's Provincial Investment Commission (PIC) is composed of seven university professors who focus more on where investments should be placed than on how to accommodate and advocate for investors. Because the PIC has as yet received no funding from Baghdad, it relies on its members' dedication and on money from the Provincial Council (PC). Unfortunately, despite professing a desire to work with the PRT to attract investors, Acting PC Chairman Abd al-Al al-Yasiri's priority is to ensure that his personal interests are served. The PIC currently is in a disagreement with the Municipalities Ministry over the intent of the Iraqi Investment Law. End Summary.

From "Where" to "How"

12. (SBU) The Karbala PIC consists of seven university professors, all approved by the Provincial Council (PC) last spring. The PIC is well organized, but members address their tasks with a level of deliberation that can be frustrating. For example, their first order of business, which took several months to accomplish, was to identify locations for 20 blue-sky investment ideas, including a theme park. The PRT has encouraged the PIC to adopt a less rigid approach and to focus on investment opportunities currently at hand. Unfortunately, rather than looking for ways to accommodate and advocate for investors, the PIC frequently appears to see its role as limited to telling them where they may or may not build. The PRT engages with the Karbala Provincial Investment Commission (PIC) on a weekly basis.

13. (SBU) Following months of PRT lobbying, senior provincial officials have agreed to relocate the PIC from a dilapidated, one-room office in the Governance Center to a full office suite in a new public building controlled by Governor Aqeel Mahmoud al-Khazali. The PRT meanwhile continues working to help its interlocutors appreciate the PIC's potential for "selling" Karbala to investors. This concept has proven difficult for some here to grasp, but signs of progress are emerging. Aqeel recently informed the PIC that it can accept the PRT's offer to use QRF funds to begin furnishing the PIC's new office. At the PRT's suggestion, he encouraged a roundtable discussion at FOB Husayniyah that included PIC members, representatives from the Karbala Chamber of Commerce, and other key business leaders. The purpose was to promote public-private sector dialogue aimed at enhancing official understanding of the commercial sector's needs.

Not in the Money

14. (SBU) The PIC looks to the PRT for assistance in pressing the Government of Iraq (GOI) for funding. Its members work without salaries, equipment, or expense accounts. They donate their time and personal assets in

support of the PIC's mission. This is no small burden, as none of the seven can boast of having more than a modest income. The PIC this year submitted a budget as directed by the National Investment Commission, but PIC members say they have received no funding to date.

15. (C) Along with Acting PC Chairman Abd al-Al al-Yasiri, PIC members repeatedly have said they want to work with the PRT to attract investors. However, the reality is that the PIC typically informs the PRT of visits by potential investors only after the visitors have departed. We suspect the root of the problem is al-Yasiri, who has a well-earned reputation for micro-managing money matters to ensure that his personal interests are served. The fact that what little money the PIC has comes from the PC, combined with al-Yasiri's alleged ties to Iran (reftel), auger poorly for PRT-PIC collaboration. GOI funding would give the PIC the autonomy it needs to be effective.

Battling Baghdad

16. (SBU) The PIC currently is courting two residential builders who have proposed projects to construct approximately 5,000 homes each as well as several potential hotel developers. The housing plans are inching forward, but the hotels have hit a snag. PIC members complain that the Municipalities Ministry, rather than charging fixed land-rental fees, is insisting on receiving rents from the developers based on a percentage of the hotels' profits. PIC Chairman Dr. Jalal al-Hashemi has told us that he believes the Ministry is violating the spirit if not the letter of Iraq's Investment Law, which was intended to

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minimize taxes and other obstacles to investment.
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